The Perfect Setting

Diamond Tourism

IN THE NORTHWEST TERRITORIES

Prepared for:

Yellowknife
DIAMOND CAPITAL of NORTH AMERICA™

Northwest Territories Resources, Wildlife and Economic Development

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Executive Summary

Based on research conducted in other jurisdictions and consultations with numerous industry experts, the authors of this plan are confident there is potential to develop diamond tourism in the Northwest Territories (NWT).

The public everywhere is fascinated by diamonds. Research indicates that over $57-billion U.S. was spent worldwide in 2003 on diamond jewellery[1]. Statistics show that retail diamond sales and the NWT tourism industry share common demographic markets. Japanese aurora traffic and the United States outdoor adventure enthusiasts make up the majority of Yellowknife's tourism trade. Japan and the United States represent about two-thirds of the total retail diamond market. These two factors identify the direct correlation between the NWT diamond industry and the NWT tourism industry.

Research for this plan also demonstrates that the majority of visitors will continue to be motivated to travel to the NWT primarily by its outstanding wilderness experiences and for phenomena like the aurora borealis. But the allure of diamonds could sway an undecided visitor to choose the NWT over a destination with similar products. This plan estimates that the NWT could increase its annual visitation of approximately 59,000 business and pleasure travellers by 1% annually if diamonds and tourism are linked and marketed in an effective way. The types of tourism experiences promoted in the NWT – aurora borealis and outdoor adventure – are a perfect marriage combining the unique experiences of northern travel and the magic of the aurora borealis, with the purity and beauty of Canadian diamonds.

This plan also estimates that the NWT could convince 15% of visitors annually to spend an additional $500 CDN on a diamond-related product or experience while in the NWT. The attractiveness and opportunity of buying at source is an important component of the travel decision process. Global examples of buying signature products at source include Cuban cigars, custom-tailored suits from Hong Kong, and jewellery from H. Stern in Brazil. Research indicates that a large majority of visitors[2] have an interest in diamonds when they learn about the mining activities in the NWT. A visible and accessible manufacturing process, combined with unique buying opportunities, heightens the travel experience. Hunters and other NWT travellers are good prospects for buying diamonds or diamond-related products based on experiences in jurisdictions like Kimberley, South Africa.

The marketing tools developed and used will be important in achieving success with diamond tourism. Pre-trip information for prospective visitors about diamonds could convert some undecided travellers and would also allow visitors planning a trip to the NWT to consider the purchase of a diamond or diamond product and to plan for that purchase.

Timing in developing diamond tourism will also be critical. There has been a lot of press about Canadian diamonds throughout the world, particularly in Canada, the NWT's largest travel market. There is also momentum to move forward with diamond tourism initiatives in Canada as demonstrated by the consultations conducted by participating governments as part of the development of a National Diamond Strategy. Other jurisdictions will begin to move forward in the near future. It is critical for the NWT to develop diamond tourism while it is still the first place in Canada mining diamonds. The NWT is late in leaving the gate considering that results from any development may not be seen for at least one year after initiation.

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[1][1] Tacy Ltd. 2003

[2][2] The Northern Frontier Visitors' Centre notes that approximately 70% of people coming in to the Centre ask about diamonds. NWT Arctic Tourism indicates there is great interest on behalf of tour companies in diamond activities and potential links to tourism. Hoteliers and a B&B operator in Yellowknife also indicate that most of their clients ask about diamonds and where they can buy them or what they can see that is related to diamonds

The authors of this report are also confident there will be support for developing diamond tourism. Northerners, in particular Yellowknifers, are interested in diamonds and diamond tourism. According to the 2004 Ipsos Reid Citizen Survey conducted for the City of Yellowknife, 28% of Yellowknifers mentioned tourism as the area they would like the City to place more emphasis on; 90% were aware of the City's initiative to brand itself as the Diamond Capital of North America™; and 91% supported the branding initiative.

As well, the majority of the NWT diamond and tourism-related businesses and individuals interviewed for this plan were supportive of developing diamond tourism, with many interested in participating in its development.

Diamond Tourism Can Increase Visitor Expenditures

It is estimated that Yellowknife is already selling at least three times as many diamonds at the retail level as any comparable Canadian city. With planned and organized execution of the concepts outlined in this report, there is real potential for the economic benefits from the northern diamond discovery to extend into more segments of the NWT economy.

An annual investment of $400,000 - $500,000 by all stakeholders could conservatively result in an annual increase in tourism expenditure in excess of $5,000,000, contributing an additional $1,142,000 or more to the NWT's Gross Domestic Product (GDP). This solid return on investment is based on conservative projections of a 1% increase in annual visitation and the conservative expectation that 15% of all visitors will spend an average of $500 CDN on a diamond-related product.

Things to Keep in Mind

As Yellowknife and the NWT mines the potential of diamond tourism there are some key points to keep in mind. The points listed below reflect the experiences of other jurisdictions in the world, of local tourism operators and jewellers, and suggestions from diamond industry personnel involved in diamond tourism in other parts of the world.

- Diamond tourism is not a draw in itself. Its success will depend on building linkages and partnerships and on a cooperative effort.
- There is a wealth of expertise in diamonds and tourism in the north that can be tapped, saving delays and mistakes.
- Product development and marketing must be based on what the consumers want – excitement, interactivity, education, value-added, and friendly.
- Product at all price points should be readily available.
- The whole issue of pricing (including the excise tax) needs to be reviewed to ensure that the price of product is competitive and fair.
- Value and confidence are important in diamond purchasing. The visitor needs to perceive quality in everything that is associated with diamond tourism.
- Education about diamonds is important for frontline tourism personnel.
- Investment must be sufficient and consistent.

Some Key Ideas Put Forward By Stakeholders Interviewed

- Establish a Diamond Tourism Working Group to move forward with the plan for Diamond Tourism in the Northwest Territories.
- Create on-going awareness of diamonds in relation to tourism by theming regional visitor centres, airports, and Yellowknife.
- Create a slogan and logo for all diamond tourism activities that can be used by any retailer.
- Produce information pieces to use in conjunction with tourism marketing initiatives, and to be distributed to visitors once they arrive in the NWT. Visitors to the NWT should be exposed to the total diamond experience.
- Produce a travelling display for exhibits around the NWT.

- Link marketing activities with regions and regional products.
- Link diamonds with mining and build on mining history.
- Develop new tourism-related products and activities that relate to diamond mining, cutting and polishing and jewellery manufacturing.
- Hire a part-time coordinator to deliver initiatives.
- Develop communications and planning mechanisms so members of the diamond and tourism industry have the information to collaborate on parallel activities of the diamond manufacturing and jewellery industries.
- Products and displays should reflect the image of diamonds as high-end, rich, clean and pure, and should be exciting and memorable, stimulating interest in diamonds to encourage longer stays and greater expenditures.
- The marketing message should be consistent, and ensure visitors are aware of diamond-related experiences before they arrive.
- Value and confidence in diamonds are important for visitors planning on buying a diamond. Promoting a certification program across Canada is the only way to ensure the demand for a Canadian diamond remains high. Promoting the quality of a Canadian diamond, and the reputations of local jewellers and artisans is also important.
- Linking with jewellers and local artisans working with diamonds will be critical to success as there is no point in creating a hype about diamonds if there is little product available to buy.
- Diamond experiences could be packaged in with shorter duration trips for fishing, hiking, sightseeing, rock hounding. Side trips with a diamond theme to some of the local communities could be promoted as well.
- Visitor staff should be trained to promote all diamond tourism-related activities and diamonds themselves.
- Interpretive centres, possibly linked with other key activities in the diamond tourism area, should include a variety of diamond media and displays.
- Partnerships and strategic alliances should be forged with tourism and diamond stakeholders and others with a vested interest in the development of diamond tourism.
- Diamond tourism should be developed in a manageable and methodical way, building on current strengths, assets and markets with the most potential and the least cost and lowest risk.
- Cooperative marketing efforts should be sought and promoted wherever possible.
- A champion of diamond tourism development should be confirmed.
- Diamond tourism will need to be packaged and promoted to both the tourism and diamond industries.
- There is a need to theme key venues – perhaps a campaign in key airports in Canada.

Developing the Diamond Tourism Plan

To further territorial economic growth, the City of Yellowknife and the Government of the Northwest Territories (GNWT) Department of Resources, Wildlife and Economic Development (RWED) have collaborated to identify diamond tourism opportunities and the steps to realize those opportunities. Accordingly, phone interviews were conducted with relevant contacts (see Appendix A) in the following destinations known for diamonds and/or gemstones and related tourism activities to determine what products and visitor services are offered which might work in the NWT and Yellowknife, and to assist in profiling of the typical diamond tourist:

Kimberley, South Africa
Cullinan, South Africa
Namaqualand, South Africa
Kununurra, Australia (Argyle Mine)
Amsterdam, The Netherlands
Antwerp, Belgium
Ramat Gan, Israel
Rio de Janeiro, Brazil
Royal Canadian Mint, Canada

As well, a Kimberley, South Africa consultant was contracted to provide additional information.

The results of these contacts were then explored with key local stakeholders and potential partners (see Appendix A) to identify realistic plans for developing a diamond tourism industry here.

Based on the above, this document presents achievable options and actions required to begin development of an industry that could further establish Yellowknife as the Diamond Capital of North America™ and the Northwest Territories as the Diamond Centre of North America.

What is Diamond Tourism?

There is no known definition for diamond tourism. In many respects, the term 'diamond tourism' is a misnomer in that it implies that travel and visitation are generated specifically because of diamonds. However, the principal reason for promoting diamond tourism is either to use public fascination with diamonds as a competitive advantage in luring tourists to the NWT and/or to motivate leisure and business travelers to stay longer and to spend more money on diamond-related products and services once they get here.

For the purpose of this project, diamond tourism is defined as: 'the economic activity that occurs when diamond products, services, heritage and promotion are linked with travel markets. At its core are tourist product offerings and services that either take place in facilities which promote and interpret one or more components of the diamond industry, or involve companies dealing specifically with diamonds or diamond-related products'.

Diamond Tourism is not a Stand-Alone Product

Most people are fascinated by diamonds, as the more than $57-billion U.S. spent worldwide in 2003[3] in retail diamond jewellery sales attests. However, people rarely travel specifically to purchase diamonds unless they are sold at discounts.

According to De Beers, the romantic history of diamonds and historical buildings and stories are important elements in luring people to a destination, along with readily available diamond-related tours and other activities.

> Since people will not travel just to see diamonds, promoting the NWT as the Diamond Centre of North America, alone, will not be a sufficient tourist draw. Rather, we should continue to focus our marketing efforts on the destination motivators like the aurora borealis, fishing, hunting, outdoor adventure and general touring to lure people north.

At the same time the allure of diamonds and the perception that tourists can purchase diamonds at source may influence some prospective tourists to choose the NWT. As Stephen Ben-Oliel, president of the Canadian Diamonds Manufacturers Association, points out, marrying the magic of a northern product like the aurora borealis with the diamond – love's most precious and enduring symbol – is a marketing dream, and one the manufacturers see as an opportunity.

The following is an excerpt from an interview with Rosy Blue CEO Dilip Mehta (The Road Ahead, Canadian Diamonds, Winter 2004):

> Canada on its own has a lot of positive attributes, things like the northern lights and all the different pretty places. .. But I think that it definitely needs to be romanced better. We need to be aligning the diamond industry with other industries... the diamond industry cannot stand on its own to create that sort of excitement...When you're looking at diamonds, you shouldn't just be thinking of the stone in your hand, you should think of the whole story and emotion, the romance around it. The tourism industry is something that we are thinking of to achieve that. When you look at rubies or sapphires, you talk about Burma rubies or Kashmir sapphire. We should be able to achieve that with Canadian diamonds; we need to be able to separate Canadian product from the rest. So we need to romance Canada... It's time consuming, it needs a lot of effort, but it needs to happen. So I think a partnership between the diamond industry and the tourism industry is a definite possibility in the future.

[3] Tacy Ltd. 2003

Origin is Important to Diamond Tourism in the NWT

Interviews with local jewellers demonstrated that each tends to cater to somewhat different markets, although there are overlaps. For example, there are Yellowknife retailers who sell custom-made or more exclusive jewellery and a variety of stone sizes and qualities to both local and tourist markets; there are those that cater mostly to locals and tourists looking for souvenirs and smaller diamond items; and some sell more loose stones than set pieces. Retailers in NWT communities outside of Yellowknife sell set pieces and some loose stones primarily to their local markets. All would agree the origin of the stones (i.e. Canadian diamonds) is the driving factor in sales. Indeed, in some cases it is more difficult now to sell diamond pieces that are not Canadian. One jeweller noted that customers expect all of their diamond jewellery to feature Canadian diamonds. Another has discounted its non-Canadian diamond jewellery to clear inventory. A community retailer said customers really want northern diamonds and assume Aurora diamonds are cut and polished in the NWT.

Diamond certification is also important. One local gemologist noted that government certification becomes more important with larger, more expensive stones. Another said the NWT's Certificate of Origin is very valuable and included with all sales. A third said the government certificate was not important, but the Sirius diamond certificate is. And one said certification is not important for smaller diamonds.

Currently there are Sirius Diamonds NWT Ltd.'s Polar Bear brand and Arslanian Cutting Works' Canadia brand sold by Tristar. Both of these are sold with a Certificate of Authenticity issued by the GNWT to prove they are "mined, cut and polished in the NWT." This statement is important, and as there is no commercially available technology to prove where a stone is mined, the GNWT monitors the flow of diamonds through processing to validate it. BHP Billiton also produces Aurias diamonds which are cut and polished overseas but marked with BHP Billiton's Canada Mark.

The Competition Bureau's definition of Canadian stones is those mined in Canada. The industry has established a Voluntary Code of Conduct for Authenticating Canadian Diamond Claims which establishes a tracking procedure to validate the origin claim for Canadian stones.

Without Canadian diamonds, there would be fewer local sales of diamond-related jewellery and souvenirs, so origin will be critical to NWT diamond tourism.

A Centre of Excellence Contributes to a Well-Educated Work Force

A Centre of Excellence dedicated to training and education of diamond industry professionals would enhance the profile of the NWT as the Diamond Centre of North America. Aurora College is already providing programs that could form the basis of this initiative. A well-educated, local workforce contributes to the stability of a tourism industry as well as the reputation of the diamond industry and diamond products.

Lessons from Other Jurisdictions

The following provides a brief overview of some international locations that have successfully promoted gemstones as part of their tourism experience. (All dollar values are in Canadian funds.)

Kimberley, South Africa

- Like Yellowknife, Kimberley is remote and costs roughly $600 to reach by air. However, its tourism is built on diamond mining dating back to the late 1800s, providing significant and historical buildings of interest to visitors, as well as an open-mine museum.

- For 30 years, tourism development has involved a number of local partners with DeBeers taking the lead. Current plans call for an investment of up to $10-million over the next three years to upgrade the museum and the Big Hole project.

- Guided underground and surface tours are available at prices ranging from $7 to $17. A full day trip costs $151. Diamond polishing and jewellery operations allow visitors to watch free of charge from behind secure glass panels that give the impression they are standing in the workshop.

- Annual visitation prior to September 11, 2001, was 144,000 but has dropped to 100,000. Approximately 25% to 30% of visitors are foreigners; most are German, British and Dutch, and approximately 25% are Americans. The American, British and Australian visitors tend to purchase the most diamonds; very little business is done with the Japanese. U.S. visitors spend the most and tend to be exclusively hunters who want to surprise their wives with a gift. An estimated 80% of foreigners who enter the jewellery shops actually buy a diamond. Local tour guides estimate that 10% of their clients buy a diamond, for which they receive commissions of between 1% and 2.5%. Diamonds are sold to visitors at 20% to 30% below current world market values.

Lessons Learned

Visitors want hands-on experiences. For example, many would like to sort through kimberlite crush to find diamonds themselves.

Products and displays need to be updated and upgraded to stimulate longer stays and greater expenditures.

Kimberley marketing is not sustained and still lags in terms of generating visitor awareness and interest. There seems to be a lack of understanding that marketing must be strategic, consistent, targeted and focused. Making visitors aware of the options of experiences before they arrive would encourage them to stay longer.

The local visitor centre needs to create an atmosphere of excitement about diamonds. Signage to various attractions is poor, and there is a need to make it easier for visitors to read and to find points of interest.

Things for the Northwest Territories to Consider

— Value and confidence in diamonds are important for visitors planning to buy. Promoting the certification program and quality and reputations of local jewellers and artisans is important.
— Cutting and polishing tours where jewellery can be sold should ensure privacy for buyers.
— Work closely with the hunting outfitters to promote diamond jewellery.
— Displays and a diamond district need to be friendly and create excitement. One of the problems in Kimberley is that many of the current displays are not exciting enough.
— Diamond experiences within the City of Yellowknife could be packaged with shorter fishing trips, hiking, sightseeing and rock hounding. Side trips to some of the local communities could be promoted as well with a diamond theme.

Cullinan, South Africa

Unlike Kimberley, De Beers' Cullinan mine is close to Johannesburg (the capital city) and Pretoria. The area receives considerably more visitors at close to 2.5 million annually. Key stakeholders have set up an umbrella working group of labour, government, various mining representatives and De Beers to develop diamond tourism in the community. The town is also themed on the history of mining which dates back to the early 1900s, and a main street has been renovated to replicate that era. Three tour companies contracted by De Beers offer tours of the operating part of the mine once a week, and surface tours daily. (The only other operating diamond mine in the world to offer tours is the Argyle mine in Australia.) To maintain tourism facilities, the tour companies pay De Beers 10% per visitor once breakeven is reached. De Beers plans and pays for all marketing, as it is good for their own corporate reputation. Visitors and tour operator staff are not allowed in the diamond sorting areas for security reasons. The mine hosted just over 26,000 visitors in 2003. The total number of people taking diamond-related tours in the Cullinan area is closer to 36,000 per year. The mine also hosts approximately 500 annual visitors interested in the technical side of the mine.

De Beers estimates that approximately 5% of mine visitors actually buy a diamond or diamond jewellery.

The average foreign visitor spends about $640 per trip to the area, while those arriving by air spend approximately $1,500 each.

Namaqualand, South Africa

De Beers' Namaqualand mine is South Africa's most remote site for diamond tourism. The area attracts primarily ecotourism travellers interested in seeing wild flowers, the rich diversity of succulent plants, white-water rafting, hiking, mountain biking, canoeing and the culture of the Nama and San people.

Between 10,000 and 14,000 visitors travel[4] to the area annually. The highest number of tourists arrive during the flower season (August and September). De Beers estimates that the mine hosts approximately 1,000 visitors annually. Diamonds and diamond jewellery are not for sale at the mine.

De Beers' Lessons Learned

De Beers sees tourism as a means to debunk prejudice about mining and to develop strong relations with local communities. They stress educating local families and employees about mining and often host mine tours for thousands of local residents. They also refresh their special displays every few years.

Some of the difficulties they have experienced include:

- Achieving economies of scale in community involvement and ownership.
- Getting community participants to assume management of web development, tour operations, etc.
- The different approaches to development required for different environments.

De Beers and government have created a formal working group which actively markets diamond tourism. The highly organized tourism bodies prefer glamour marketing over tourism product improvement.

Amsterdam, The Netherlands

The handful of companies remaining since World War II have focused on creating a destination for buying diamonds and watching them being cut and polished. Although the city is no longer significantly active in the cutting and polishing industry, Amsterdam has successfully used the aura of diamonds to prolong its famous image, and so visitors have the impression they are visiting the diamond centre of the world.

There are only three companies offering factory tours in Amsterdam: Van Moppes Diamonds, Gassan Diamonds, and Stoeltie Diamonds. There is no government involvement. These diamond companies host an estimated 1 million visitors annually. They receive tour bus groups and individuals booked through

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[4] http://www.peaceparks.org/content/pdf/concept_plan_aiais_richt.pdf.
www.parks-sa.co.za/parks/namaqua/ Namaqua_DraftPolicy.doc
http://www.namakwa-dm.co.za/data/eko_profiel/NDM%20part%205.doc.

hotels or tour operators. They work with the largest local tour operators; attend travel markets; promote to travel agents; maintain a website; and have contracts to be part of city tours.

Individually, they host 100,000 to 300,000 annually. Approximately 10% to 25% of visitors purchase diamonds, depending on the year and group type. The average expenditure for diamond jewellery is $2,700 to $4,100. Expenditures vary by country of origin and personal preferences. They have experienced increased visitation recently by Chinese, who purchase diamond jewellery in the $1,300 to $2,000 price range.

Diamonds are sold at approximately 25% below market value. Foreigners can claim a refund of 14.75% off the Value Added Tax, plus they receive a 10% discount from the factory. For example, an H SI2, ideal cut, third of a carat diamond sells for $1,700, which is approximately market value minus 10%.

Security consists of surveillance cameras, and all tour visitors must be registered. They have had a few problems with theft but have been able to trace the criminal with help from the surveillance film.

Things for the NWT to Consider

— Factory tours.
— Discounting and how it should be approached, restricted, controlled or encouraged.
— Promoting the GST rebate for foreign visitors.

Argyle Diamond Mine, Australia

Rio Tinto's Argyle mine in Australia's Kimberley Region is another operating diamond mine which hosts visitors. Argyle has contracts with two local companies to bring tourists to the mine site from the City of Kununurra, 176 kilometres away. Visitors can fly to the mine or take a bus tour. Out of the approximately 340,000[5] domestic and international overnight visitors to the Kimberley Region, less than 50,000 are foreigners, and between 5,000 and 6,000 toured the mine. Bus tours cost $186, air tours $190. The majority of these tourists tend to be seniors interested in educational tours. Visitors want to see the pit – the size, scope of trucks, amount of ore extracted, and the diamond display room.

One local jeweller estimates just over 1,000 of the annual visitors purchase a diamond or diamond jewellery. The average expenditure is approximately $950.

Tourists who fly in to the mine must register at the airport; those who travel in by bus must register through a tour company. Argyle does random passenger checks. Tourists must sign a waiver acknowledging that they will be monitored by surveillance cameras and could be subjected to a body search.

Lessons Learned

The mine is not happy with the current arrangement, agreed to over eight years ago, because it lacks adequate controls with respect to on-site safety. The tours also place a strain on mine administration.

The tour companies currently have about 18 guides who spend three days being trained on-site in safety standards, introduction to areas of the mine, processing, mining, etc.

The tour companies pay the mine $25 per person: $12 for catering lunch and administration and $13 profit for Argyle.

Argyle is currently renegotiating the contracts with both tour companies, and requiring that all tour guides be aboriginal, which they expect will result in fewer guides. Argyle might train and employ an aboriginal guide on-site to provide support.

[5] Kimberley Development Corporation

Things for the NWT to Consider

— Even if a mine commits to offering tours, tour packages to reach a NWT diamond mine will cost considerably more than $190, including air, meals and the guided on-site tour. The small number of visitors who take tours in Australia could indicate either there is not sufficient demand or inadequate marketing efforts. A tour of a NWT mine would require a full day. Currently, the only travel market segment with the greatest predisposition to spend an additional day in the NWT and over $400 for a side trip, would be the meetings and conventions market. In any case, it is unlikely any of the NWT mines will be offering tours in the near future, if at all.

Antwerp

The Diamond Museum hosts over 100,000 visitors annually. Some of the visitors purchase a package tour which includes a guided tour of the diamond district and a tour of a jewellery outlet called Diamondland. According to a hotel offering diamond-themed weekend packages, the demand for the packages fluctuates throughout the year. One problem with the Antwerp diamond-themed hotel packages may be that they are not being adequately promoted and that visitor information staff have very little knowledge of the product (which was demonstrated through a call to the local visitor services office in Antwerp).

Although security at the museum includes cameras and guards, it experienced a theft in November 2003.

Things for the NWT to Consider

— Continually ensure that all staff have product knowledge about any diamond tourism activities underway.
— It is highly unlikely that visitor entrance fees will cover the operational costs of a diamond museum or centre.
— Diamond tourism packages will need to be tested.

Israel

The museum in Ramat Gan has mounted a number of widely-acclaimed exhibitions and hosted lectures and seminars on a variety of industry-related topics. These include a permanent exhibit and other displays on anything of interest related to diamonds (e.g. fashion, literature, student jewellery competitions, and student designs). The museum also features travelling exhibits though it does not look as far a field as it once did to obtain exhibits, because the cost of insurance, shipping, etc. has proven to be prohibitive.

The permanent exhibition portrays the story of diamonds through the eyes of the historian, the scientist, the artist, and the educator. Revolving exhibitions are also held on subjects such as jewellery and stamps with a diamond theme. The main areas chosen by the museum to represent the diamond world-industry – Trade, Science and Art – are expressed in visuals, simulations, demonstrations, search and discovery, films, lectures and discussions, and hands-on activities. The museum does not work with any other tourism operator or local jewellers.

The museum hosts approximately 25,000 to 30,000 visitors annually whom they charge a nominal entrance fee. Students and military personnel get in free.

There are cameras, two security guards, and the building itself is tightly secured.

Things for the NWT to Consider

— Include a variety of media and displays in a diamond experience pavilion. Work with local stakeholders to bring in at least one remarkable (but affordable) exhibit every year. Solicit exhibit sponsors.

Rio De Janeiro, Brazil

This city's Amsterdam Sauer and H. Stern museums are owned by local jewellers and host approximately 10,000 visitors annually who arrive by road, air or cruise ships. Their origins vary from year to year depending on the government promotions. There has been a drop in American tourists since September 11, 2001. In 2002, visitation was greatest from the following countries: France (1); United States (2);

Germany (3); Italy (4). Using a glass tunnel, visitors can walk through the centre of the factory area and watch production and see exhibits. They can also walk freely around some of the exhibit areas.

All displays are under lock and key. Keys are kept in the safe at night with the jewellery. They use cameras and have a security person on site.

Things for the NWT to Consider

— A diamond experience pavilion would be important to consider as a component in establishing the NWT and City of Yellowknife as the diamond centre and diamond capital of North America. It would not need to be large or elaborate.

Security

The Canadian Royal Mint deals with two visitor related security issues – people who are interested in the process of making money and those who visit the boutique. Security poses few problems. The Mint has a tour that takes visitors through the facility but never into the high-security area. Visitors view the minting process through glass and are never in contact with either the raw materials or the finished goods.

The Mint uses several security measures in its boutique. These include well-trained staff who are constantly aware of where visitors are located; secure showcases (locked and with alarmed, shatter-proof glass); closed-circuit TV cameras; signage indicating monitoring; and a ban on photography. There is also daily inventory control and a dual custody system involving two staffers handling merchandise. The guards are not armed to avoid guest intimidation.

The Current Reality of Tourism and Diamonds in the Northwest Territories

Existing Diamond Activities that are Linked with Tourism

There are currently two producing NWT diamond mines – BHP Billiton's Ekati and Rio Tinto/Aber Diamond's Diavik Diamond Mines Inc. The De Beers Snap Lake mine has received its final permits with construction scheduled to begin in 2005, and production in 2007.

Both operating mines are located approximately 300 kilometres northeast of Yellowknife, with staff regularly flying in and out. BHP Billiton staff are flown from the Braden Bury Expediting terminal, while Diavik Diamond Mines Inc. employees depart from Air Tindi's terminal. These transfer points could be used to fly visitors to the mines for tours, however approval from the mines and further review of the various costs, processes, capacity, liabilities and security issues would have to be settled before such tours could begin. It is highly unlikely that BHP Billiton and Diavik Diamond Mines Inc. will consider mine tours other than for VIPs and by special request. De Beers is still considering its options.

Agreements between the mines and the GNWT have created a diamond cutting and polishing industry in Yellowknife. There are currently four facilities in Yellowknife: Laurelton Diamonds Inc. (owned by Tiffany), Sirius Diamonds NWT Ltd., Arslanian Cutting Works NWT Ltd., and Canada Dene Diamonds. These manufacturers do not presently allow tours of the facilities.

There are five jewellery retailers in Yellowknife selling certified Canadian diamonds: Arctic Jewellers, Eldonn Jewellery, the Explorer Hotel Gift Shop, Jamorah Diamonds (opening a boutique soon), and Gallery of the Midnight Sun. A sixth jewellery retailer, Sasha's Jewellery & Giftware, closed in mid-June due to the owner retiring from the business. All five retailers sell loose and set certified Canadian diamonds and promote them in their radio and display advertising. Sasha's, when in operation, worked with a goldsmith in Edmonton to design custom jewellery, while Eldonn and Arctic Jewellers have staff designers for those interested in custom work. Jamorah Diamonds sends diamonds out of the NWT to be set in the piece of the client's choosing.

Two individuals sell by appointment: Micheline Piche's Diamonds by Micheline sells loose and set stones, and Marg Baile and Jake Ootes' Jamorah Diamonds (in its current state). Jamorah has jewellery custom-made by a master goldsmith.

Originals by T-Bo, a custom jewellery-making shop in Yellowknife, is embarking on a joint-venture with a manufacturer to produce northern jewellery with Canadian diamonds.

There is no special packaging of Canadian diamonds to create an aura of distinctiveness, like boxes by Birks and Tiffany & Co. Yellowknife jewellers, upon request, may let individuals view the trademark lasered on the girdle of a diamond. Canadian diamonds are generally sold with a certificate of authenticity issued by the manufacturer and/or the GNWT, depending on the diamond. The certificate, in some cases accompanied by information on Canadian diamonds, is often presented in a passport like folder for convenience.

Arctic Jewellers and Eldonn Jewellery book diamond polishers from Sirius Diamonds NWT Ltd. to visit their premises conduct demonstrations for staff and answer questions. However, due to space restrictions and security issues, the general public is not invited to observe.

The Gallery of the Midnight Sun also sells loose and set Canadian diamonds, and is the only retailer with an on-site diamond polisher. Visitors can book a demonstration 24 hours in advance to watch this expert at work and to ask questions. Some of the artists selling pieces at the Gallery include diamonds in their carvings.

Aurora College has a 22-week Diamond Cutting and Polishing Program. Diamonds from this project could be incorporated into local jewellery. The school has also discussed the possibility of relocating to any future diamond pavilion so tourists could watch the students at work.

There are eight charter airlines serving Yellowknife. Initial inquiries indicate these companies would be interested in diamond mine tours. Three-hour flight-seeing tours over the mines could be offered year-round. The number of interested parties would determine the size of the planes used. Based on preliminary discussions, the cost for a flight might range from $160 (19-seat plane) to $300 (10-seat plane), but these are only estimates, and costs could be higher depending on party size and plane required. Helicopter flights are another flight-seeing option.

The Northern Frontier Visitors Centre, Diavik Diamond Mines Inc.'s Diamond Information Centre and the Prince of Wales Northern Heritage Centre host displays and provide information about Yellowknife's diamond activities. The NWT Heritage Society also has a small museum that celebrates Yellowknife's gold mining past. It is in the process of developing a plan and securing funding to open a mining museum at Giant Mine's A Shaft or another location. These venues offer an overview the NWT's mining past, Yellowknife's in particular, and clearly illustrate the city's history: 'from a golden past to a brilliant future.'

In Inuvik, Originals on the Mackenzie sells jewellery from Aurora Diamonds in Calgary and smaller diamonds retailing from $230. In Fort Smith, Wally's Drugs sells Aurora Diamonds mostly to residents for between $150 to $600.

Other Tourism Products That Could Link with Diamonds

The NWT has a variety of festivals that could promote diamond tourism and capitalize on the influx of visitors to these events. The following businesses and services could play a role in diamond tourism:

Aurora viewing Legislative Building tour Walking tours: Old Town, Frame Lake, Niven Lake, Prospectors Trail Golfing – championships for a diamond Fishing/hunting: buy your spouse a diamond Norweta cruise	**Galleries and Northern Specialty Stores:** Aurora Gallery Birchwood Gallery Nor-Art International Gallery Northern Images Gallery of the Midnight Sun Just Furs
Restaurants: Bullocks' Bistro Old Town Landing Wild Cat Café Our Place Family Dining Room Black Knight Pub Boston Pizza Coyote's Bar & Grill Jose Loco's Le Frolic Bistro Bar L'Attitudes Restaurant & Bistro The Office Dining Lounge L'Heritage Restaurant	**Adventure Travel Outfitters:** Adventure Northwest Ltd. Arctic Safaris Aurora Caribou Camp Barbara Ann Charters Bathurst Arctic Services Bluefish Services Caribou Pass Outfitters Cygnus EcoTours Enodah Wilderness Travel Great Canadian Ecoventures Inukshuk Ventures Naka Tours Narwhal Northern Adventures True North Safaris Ltd. Yellowknife Outdoor Adventures
Communities outside of Yellowknife: Galleries and Northern Specialty Stores Cabin Fever (Hay River) Wally's Drugs (Fort Smith) Ring's Pharmacy Ltd. (Hay River) Creations (Norman Wells) Originals on the Mackenzie (Inuvik)	

How Many Visitors Travel to the NWT Annually?

Before September 11, 2001, approximately 55,777 business and leisure travellers visited the NWT spending just over $90-million annually[6]. Travel slowed significantly following the terrorist attack, with the aurora market suffering most with an almost 50% decline in visitors. Just as people started to venture north again, SARS and the Iraq War stalled visitation. However, preliminary indications are that the aurora market made a strong comeback this winter.

Currently the aurora market attracts approximately 22.5% of NWT leisure visitors[7], while 32% travel north on business, 67% for leisure and 3% for hunting. Hunters spend the most for an average travel package cost of $12,000.

RWED estimates that almost 90% of NWT visitors stay in Yellowknife. Just under 20,000 of those are traveling on business and the rest are either on vacation or visiting friends and relatives.

Clearly the market potential is large enough to support development of infrastructure, services, and imaging of the NWT as North America's Diamond Centre and of Yellowknife as its Diamond Capital.

Diamond Target Markets and the Match with NWT Visitation

Previous research conducted for RWED and preliminary results from this project indicate that the prime target markets for diamond purchases are consistent with existing key visitors to the NWT, and particularly Yellowknife.

A report entitled *Marketing Canadian Arctic ™ Diamonds in the United States*, prepared for RWED in 2002, found that core target buyers are:

- Well-educated and affluent ($69,000-plus annual incomes).
- Baby boomers, especially those currently aged 45-55, or consumers aged 25-44 among whom diamond jewellery is very popular.

Similar findings from Kimberley, Argyle, Australia and Amsterdam all confirm that major purchasers of diamonds and diamond jewellery are "comfortably off" professionals aged 40-60.

The 2002 report also noted that "The United States is a very important market, given the enormous size (representing almost half of global sales) and the breadth of diamond product desired".

Again this information was corroborated by interviews conducted for this project. Americans spent the most on diamonds and diamond-related jewellery. One Kimberley source said domestic visitors might spend up to $140, whereas foreigners, primarily Americans, spent closer to $1400, with some purchasing significantly more than that. Amsterdam information seems to indicate that Americans and Japanese spend the most for high quality and large size diamonds.

According to the 2002 study and JCK Magazine, almost two-thirds of all jewellery purchases are planned in advance and are typically related to special occasions. Sources in Kimberley and Amsterdam confirm this, indicating that there should be some pre-travel communication about diamond purchasing opportunities in the NWT when visitors are booking their trips.

Quality is the most important determinant in choosing a diamond, followed closely by cost. The Canadian diamond's superlative reputation, the GNWT diamond certification program, and the relatively low value of the Canadian dollar make NWT diamonds attractive by these consumer criteria. Research also indicates that consumers prefer unusual jewellery; men in particular seem to want to have 'a story' behind their expensive purchases. In Kimberley, where travel involves major hunting trips, there is considerable

[6] 2002 NWT Visitors Exit Survey
[7] 2002 NWT Visitors Exit Survey

anecdotal information that hunters often purchase diamonds to take back to their partners as another trophy of their trip.

A 2000 PRA Survey conducted by RWED found 83% of respondents deemed certificates of authenticity very important, and 51% considered certificates of origin important or very important, and this preference will only increase as more stones are treated and synthetic diamonds reach the consumer market.

Diamonds are not the primary motivator for travel to any of the jurisdictions researched for this report although they may be a deciding factor in destination choice. Thus they all see diamond tourism as simply another option for visitors and another revenue source for businesses. Amsterdam and New York visitors, for example, are drawn by the cities' cosmopolitan offerings, and visits to diamond areas are only one excursion during their stay. (Amsterdam has developed more tours for visitors; in New York it is a self-directed activity.) Remote destinations such as Argyle and Kimberley also have numerous other tourism offerings, including hunting and wildlife viewing. This would seem to be consistent with preliminary thinking about diamond tourism being only a value-added opportunity for travellers to the NWT.

Comparing what we know are the best target groups for diamond tourism with the most recent NWT Visitors information (see Appendix B), while all NWT visitors have the potential to participate in diamond tourism activities and in purchasing diamonds and diamond-related jewellery, the three market segments with highest potential would be the aurora viewers, the business travelers (primarily meetings and conventions) and hunters.

There is On-Going Demand for Canadian Diamonds Locally

One manufacturer estimates that annual retail sales of Canadian diamonds in Yellowknife are approximately $3-million, which is about three times the average diamond sales in cities of the same size. It is estimated that approximately 50% of these sales are to NWT residents. Diamond sales in NWT communities outside Yellowknife tend to be mostly to local residents. One retailer noted that residents want to buy only Canadian diamonds.

Some Yellowknife jewellers give small discounts to tourist diamond purchasers. One retailer is beginning to wholesale diamonds almost exclusively to tourists. There is generally the perception among tourists that diamonds will be sold at a reduced rate at source, since this is often the case in other diamond jurisdictions.

Some of the stakeholders interviewed have suggested developing a 'Diamond District' where tourists could purchase product at extremely competitive prices. However, other diamond trade interviewees said a true diamond district would have to sell rough stones.

We Have Excellent Resources and Expertise in the NWT

The diamond mining and manufacturing industries in the NWT have a wide range of information and exhibit materials which they are willing to share in the development of NWT diamond tourism promotional materials. They are also willing to donate staff and equipment for exhibitions where feasible. Planning undertaken to implement diamond tourism activities should draw on the expertise of these partners. Both De Beers and Rio Tinto have experience with diamond tourism development; De Beers in particular has invested millions in developing game parks, theming their mining communities and in establishing and operating local tours. The Prince of Wales Northern Heritage Centre has also offered to provide advice in any display and website development.

The NWT also has significant expertise in the development of Aurora tourism and hunting, which are good links with diamonds.

How to Develop Diamond Tourism in the Northwest Territories

Many ideas for diamond tourism development were put forward by stakeholders who were interviewed as part of this project. This study is intended to stimulate further discussion.

Cooperation and Collaboration are Critical

Successfully developing diamond tourism will require cooperation and collaboration of primary stakeholders in offering activities and/or services linked to diamonds, and in promoting a consistent message to potential visitors. There should be agreement across the NWT on the message about Canadian diamonds and on the image/hook for diamond tourism experiences. Stakeholders must include, at the very least, the organizations or authorities with the mandate to promote tourism locally, jewellers and/or retailers, manufacturers, the mines, the GNWT and the City of Yellowknife. Tour operators offering diamond related experiences should also be included, and the federal government should be approached to invest in a diamond/aurora pavilion.

Almost all interviewees indicated interest in assisting in any way necessary and many said they would be interested in being involved in a working group. A preliminary meeting should be held with all of the target stakeholders to discuss establishing a working group to advance the plan for Diamond Tourism in the Northwest Territories:
NWT Arctic Tourism
Resources, Wildlife and Economic Development – regional offices and headquarters
City of Yellowknife
Diamond Manufacturers
Diamond Mines
Prince of Wales Northern Heritage Centre
Northern Frontier Visitors Association
Aboriginal stakeholders
Diamond Jewellery Retailers

Partners Should Focus on Doing the Key Elements Well

Developing an Image to Theme NWT Communities

Image is the key to influencing buyers, and destinations – whether defined geographically or by product – must clearly communicate their core experiences to their target markets.

Canadian Arctic™ Diamonds are a hot item in Canada, and the NWT will become more widely known throughout parts of the United States and Europe as well, as the GNWT continues its successful campaign to create an image that commands a premium for Canadian Arctic™ Diamonds. The NWT is also known as a premier destination in the world for aurora viewing, particularly with the Japanese who are among the world's largest diamond purchasers and Yellowknife's largest visitor spenders next to the hunting market. Combining the aurora borealis as a moving work of art with diamonds could create a sense of mystery and beauty surrounding all possible northern adventures. Diamonds designed and created by skilled crafts people could be linked to an image of a vibrant, creative community.

Stakeholders interviewed during the development of this plan had numerous ideas as to how an image and theme could be developed for the NWT and Yellowknife. Below are some of the suggested approaches and guiding principles:

- Develop a new image incorporating the above ideas and using it in all communications pieces throughout the NWT. Theming for the NWT should continually reinforce the image that makes the NWT unique in the consumer's mind – rich heritage, natural beauty, diamonds, the aurora borealis and the unspoiled wilderness.
- While Yellowknife offers some clearly defined outdoor products, there is no theme linking product clusters. New themes incorporating the Canadian diamond would still allow for linkages with all of the aspects of Yellowknife's tourism attractions; its rich history of prospecting and mining; its talented arts community; and its festivals. All should come together to create a stronger appeal to stay longer and explore more of the opportunities in Yellowknife or in communities accessible by air or road from the capital.
- The same theming should be carried throughout other NWT communities – a theme that starts in the capital city, the major entry point for many visitors, and expands outward.
- The same images, slogan and logo should be used over and over to make the connection with diamonds so that tourists see and think diamonds as they travel around the NWT.

Any activities undertaken should be invested in over the long-term. The costs to do so could be assessed through a targeted image plan. There are many small activities, such as erecting posters and signage, which could be done at relatively low cost.

Marketing

It is not necessary to undertake an extensive marketing campaign for diamond tourism or to broaden the existing marketing activities undertaken by NWT Arctic Tourism (NWTAT). Marketing diamond tourism should become an add-on for existing marketing activities.

Suggested marketing tools and activities put forward by stakeholders during interviews include the following:

- Add a diamond logo to tourism advertising.
- Modify tourism displays to incorporate diamond images.
- Add a section on diamonds to relevant tourism brochures.
- Produce a diamond promotional piece that can be included in all inquiry packages to inform prospective visitors about diamonds in the north.
- Undertake contests, cross-promotions at trade fairs and conventions.
- Produce sales aids such as professionally designed draw boxes, banners, pins, a VIP package, and diamond-linked gifts promoting the allure of the NWT for use at meetings/conventions that are planning to have a diamond draw.
- Produce traveling exhibits at festivals and events, such as the Great Northern Arts Festival.
- Distribute information in hotel rooms about diamond activities and the communities.
- Erect diamond displays in larger community airports.
- Host workshops to train artisans to make wax prototypes for jewellery.
- Sponsor decals on Canadian North and First Air.
- Host workshops on diamonds and how to use them at festivals and events in communities for local artists.
- Include diamonds with all tourism efforts.
- Conduct contests for diamond draws as part of select tour packages.

Tourism marketing activities should continue to be 'experience' focused (i.e. not promoting diamonds and diamond tourism but rather what there is to do in the NWT such as fishing, hunting, aurora viewing, etc). Diamonds should be a secondary message which capture the attention of the prospective visitor as something unique to the NWT.

Marketing activities and messages should be clear and consistent. The NWT should champion the image repeatedly to the same target markets.

Signage

Again during interviews, stakeholders hosting visitors in the NWT noted that there should be signage developed within Yellowknife to promote diamonds and tell visitors where to go for activities and purchases.

It was suggested that signage which includes quick tips or facts about diamonds and aurora borealis could be developed throughout the city.

All signage should have the same look.

How the Regions Link with Diamonds

As one industry insider said, Yellowknife is a regional hub and centre for diamond mining and related activities, services and businesses, so it makes sense to place more emphasis on Yellowknife as the Diamond Capital of North America™ with links to the regions.

In many communities, on going work on tourism development in general must continue before there is an ability to link promotions and image with diamonds. Furthermore, while a handful of retail outlets in some of the larger NWT communities sell Canadian diamonds, demand and hence availability is limited, and it will be a challenge for them to carry Canadian diamond jewellery and souvenirs while providing security as demand grows.

In terms of generating awareness of the NWT as a diamond destination, diamonds could be used to encourage traffic to regional destinations.

Stakeholders came up with some of the following suggestions during interviews:

- As part of a road trip to Inuvik, drivers would collect "passport" stamps at various NWT locations, and once all stamps are collected, the passport would be entered in an annual draw for a Canadian diamond.
- There could be add-ons developed from Yellowknife as part of a bigger package (e.g. archeological/palentological tours from Yellowknife to the fossil festival in Norman Wells).
- The NWT should celebrate the completion of the Mackenzie Highway in 2005, with non-resident drivers submitting their names to a draw for a diamond.
- The regions could take the NWT diamonds brochure to trade shows.
- There could be diamond displays or posters erected in all regional airports.
- The diamond tourism working group should ensure regional businesses understand how they can participate in diamond tourism.
- The diamond tourism working group should work with regional visitor centres and RWED to develop diamond-related exhibits in the centres.
- There could be travelling diamond displays for festivals/events such as the Great Northern Arts Festival, Wood Buffalo Frolics and for career days in various communities.
- There could be a polisher located at regional visitor centres throughout the high season.
- Regional retailers should be encouraged to forge relationships with Yellowknife jewellers.

What New Products and Activities are Required?

Developing New Products and Themes

Diamond tourism should be developed in a manageable and methodical way, building on current strengths, assets and markets with the most potential, least cost, and lowest risk.

The organization which becomes the champion of this document should ensure it influences future tourism research to garner better data for product development. It should also ensure that visitor exit survey data is broken out, and that future questions include the following: 1) If there were more diamond activities in the NWT, would you take part? 2) What type of diamond-related activities would you be interested in experiencing? 3) How much money would you be willing to pay for these experiences? and 4) Are you interested in buying a Canadian diamond in the NWT?

Diamond-themed products should be integrated and coordinated with mainstream tourism products.

In terms of new diamond-related product ideas, stakeholders interviewed came up with the following suggestions:

- Develop a market for aurora weddings, and promote Canadian diamond wedding bands.
- Develop and promote a winter arts festival using the ice village and visitor centre as venues.
- Develop a week-long Northern Lights on Ice festival on Frame Lake during which the city would be lit up artificially and promoted as an aurora activity targeting the Japanese in its first few years.
- Position mining equipment, such as obsolete ore cars at strategic locations throughout the City of Yellowknife as planters or garbage cans.
- Coordinate events so certain activities run concurrently (e.g. develop a Diamond Day in conjunction with Mining Week).
- Develop an area in Old Town that replicates the past.
- Build an easily accessible and securable diamond ice village decorated with sculptures and murals by local artists and featuring a bar offering a truly ice cold drink.
- Plaque the city with descriptions and photographs to give people a real sense of the history of Yellowknife.
- Support a mining heritage museum or incorporate one into a diamond/aurora pavilion.
- Develop the Giant Mine marina as a tourist area with mining history and activities and as possible location for the diamond/aurora pavilion.
- Support the production of a play that celebrates Chuck Fipke's discovery.
- Conduct flight seeing tours over the mines with a stop at a local lodge and various interpretive components that can be packaged with current products or purchased independently.
- Display public service vehicles with northern diamond themes and images.
- Promote diamonds through school educational projects, such as presentations, career days, poster contests.
- Conduct weekly walking tours in Yellowknife featuring early city and mining history and diamond-related interpretation and activities.

Value should be added to the visitors' experience by providing more to do and see related to diamonds and by educating the hospitality industry about diamonds to further stimulate visitor interest.

Smaller Diamonds are Needed to Target the General Touring Market and the Japanese

A number of retailers and artisans interviewed said they have difficulty sourcing smaller diamonds that can be promoted as Canadian diamonds. The small diamonds are not certified by the GNWT as they are not polished here. Many retailers feel that as long as the smaller diamonds are guaranteed as being from a Canadian source, there would be demand for use in artisan pieces and trinket jewellery, which are a part of the crafts and souvenir market. Everyone who visits the NWT cannot afford higher priced diamonds but might buy smaller ones if they were available. Small diamond trinkets are just one more item that links

diamonds with tourism. When people return home, they show off their purchases and tell their stories. This free word-of-mouth promotion is still the largest converter of travel to the NWT.

It was suggested by some jewellers and artisans that 'tops' from diamonds could also be used in jewellery and as promotional pieces.

Diamonds Should be Integrated with Mining Heritage

A De Beers contact said that in developing successful diamond tourism products the company has found that the romance and history of a place are more of a lure than diamonds themselves. The NWT is well positioned then to tap into this motivator. Yellowknife is already noted for its rich mining heritage, and linking gold and diamonds would be a perfect match. Some diamond-related experiences could be integrated with existing gold mining exhibits and museums. Media fact sheets could tie the two eras together.

An Interpretive Pavilion Would Enhance Visitor Expenditures and Future Word-of-Mouth Sales

The majority of stakeholders interviewed for this plan were interested in the feasibility of building a centre that highlights diamonds in Yellowknife. A centre could link the three sectors – diamonds, mining heritage, and aurora – that are all in need of a venue to comprehensively promote their areas. A centre or pavilion in Yellowknife could become a central source from which other theming and product offerings radiate. It could begin as a small centre and expand as visitation increases. The GNWT has already requested funding from the Federal Government for this pavilion.

This centre or pavilion could also be linked to an existing facility, such as the Prince of Wales Northern Heritage Centre or the Northern Frontier Visitors Centre. It could also be developed in cooperation with the Mining Heritage group already expressing an interest in establishing a centre dedicated to the history of mining in the north. One suggested site for a separate centre is the abandoned gas station site at the entrance to downtown Yellowknife.

A Glimpse of the Diamond Centre of North America Ten Years from Now

There is a working group which consists of major diamond and relevant tourism-related businesses that champions the development of diamond tourism and continue to forge partnerships.

The allure of the NWT's pristine wilderness and aurora borealis are synonymous with the romance of the purity of Canadian diamonds. North Americans, Europeans, and Japanese think of the NWT as clean, pristine, enduring, rare, icy and special, and the place where the pure Canadian diamond is mined, cut and polished!

Tourism has a new logo and slogan that promotes purity and the pristine beauty of the northern experience, linking subtly to the romance of diamonds and the richness of the NWT. NWT Arctic Tourism uses this logo and the diamond manufacturers, jewellers, and tourism operators, visitor centres, airports, and various partners use an identifying component of this logo (like the snowflake is used by various companies during the Winterlude Festival in Ottawa) in their relevant promotional materials and events.

The diamond experience starts at the airport in Yellowknife. The airport features displays with an emphasis on the history of mining and linked to diamonds. There is a diamond in a glass display case, mounted on marble, with a loupe for viewing secured above the diamond in the glass. 'Welcome to Yellowknife' engraved on the girdle. There are actual diamonds in display cases, information racks that tell people what there is to see and do in the NWT along with maps of locations to purchase diamonds and diamond souvenirs.

Every airport in the NWT has a diamond exhibit or posters.

There is a Lights on Fire pavilion that features diamond and aurora displays that are interactive, dynamic, interesting and exciting, yet affordably and easily updated. The displays include a hologram of Chuck Fipke talking about how he discovered diamonds in the NWT; a glittering ballroom diamond that turns in a gallery and shimmers aurora borealis from its facets which dance on the surrounding walls; there is a speaking theatre that hosts on occasion some of the biggest names in the world who travel to the north to speak on key issues and developments in the diamond industry (Nobel scientists, etc.) at northern conferences.

There are cutting and polishing tours at the Lights on Fire pavilion where visitors can watch first-hand how diamonds are produced by the students at Aurora College.

Local jewellers work closely with the manufacturers to fulfill special requests for engraving messages for their clients on the girdle of the diamonds.

In the Lights on Fire Pavilion, visitors can work through kimberlite crush to see if they can find a rough diamond (a replica of a rough diamond).

Yellowknife's street lights are in the shape of cut diamonds.

There is a banner across both entrances to the city (Old Airport Road and near the Explore Hotel) which welcomes visitors to the Diamond Capital of North America™ and reminds them to take a diamond home to remember their experience 'forever'.

There is a boutique at the jewellery manufacturing centre and training school where unique, northern-made diamond jewellery is sold.

There are interpretive displays at visitor centres throughout the NWT that detail the history of the diamond industry in NWT; the steps in the mining process; some interactive displays (ability to search for small rough diamonds in discarded rock from mines – especially good for children)

Pre-trip marketing for diamonds is sent out when visitors book meetings, conventions, hunts, aurora packages, etc.

There is a day-long diamond tour that includes a fly-over of a mine; tour of one of the finishing facilities; perhaps a special cutting and polishing demonstration just for the group; a special showing of stones and finished jewellery; and an invitation with a small discount for the purchase of a diamond or diamond-related jewellery at one of the local merchants

There is signage around Yellowknife that celebrates the NWT's mining heritage: from early gold prospectors to modern diamond facilities.

The hospitality industry offers a variety of diamond themed cocktails. A contest is held among hospitality students in community colleges across Canada to develop a specific diamond themed drink just for Yellowknife. The prize is a trip to Yellowknife to launch the drink and a small diamond.

There is a comprehensive diamond website that gives an overview of the diamond tourism opportunities and also provides reputable links for information on how to assess and buy a diamond

Contests are held annually for a tourist from a targeted market segment to win a diamond. To encourage road travel, there is a passport program where visitors obtain stamps at specific destinations in the NWT and their names are put into a draw at the end of the season. Tour packages, which have stops in several communities, are offered and tourists buying these packages are also entered to win a diamond at the end of the year.

The City of Yellowknife donates a diamond to every large conference and event taking place in Yellowknife so that the organizers can conduct a draw for a diamond door prize. Diamonds are also donated for large-scale, southern-based conferences that have the potential to be hosted in Yellowknife in future years.

Information packages are sent to meeting and convention planners who are already targets for Yellowknife. The kit outlines special packages that could be put together for delegates. There is an incentive for the meeting planner.

There is a reality T.V. series where couples travel the North in search of a diamond... undertaking challenging northern adventures to find it.

A concerted public relations campaign is targeted to consumer media (rather than business press – where much of the coverage of northern diamonds is to date). Stories are promoted on the types of diamonds people are buying, what is available, what makes a Canadian diamond special, where Canadian diamonds are available, Chuck Fipke's story, the history of diamond mining in the north, the socio-economic benefits and the benefits to the northern communities. Diamonds in the north continue to get press.

Canadian diamonds are incorporated in the Grammy awards and other trophies for major sporting and cultural events. The NWT sponsors a major award at the Aboriginal Achievement Awards. The trophy is a northern design set with small diamonds.

A design contest is held annually in Canada, featuring Canadian diamonds and northern artisans and jewellers as competitors with others across Canada. The event is hosted in the NWT once every 12 years. (moving from province to province)

There is a road touring contest with the other communities to promote northern diamonds with a diamond as a prize (draw) for those who have obtained stamps from each destination. The same is done to promote

diamond tourism between Yellowknife, Hay River, Norman Wells and Inuvik (locations where local jewellers can promote diamonds).

A technical, scientific tour is offered once a year in conjunction with the Gemological Institute of America and the Canadian Gemmological Association and brings in geologists, gemologists, rock hounds, investors, etc.

The Diamond Manufacturers of Yellowknife and NWT Arctic Tourism have formed a strategic marketing partnership to promote and enhance the growth of two of the North's largest industries and a new-to-Canada co-operative 'diamond tourism' venture.

The Japanese visitation has doubled in the winter to over 20,000 visitors, and European and Canadian adventurers head north in February as well to experience the Northern Lights on Ice Festival and a true northern winter. The Northern Lights on Ice Festival is a week-long event which takes place on Frame Lake south. The destination motivator is the aurora borealis tours, with the festival providing a wonderful way to get to know and celebrate Yellowknife. There is a large diamond ice village on Frame Lake, designed to promote the image of diamonds with lots of sparkle and geometric shapes based on Dene symbols, food and beverages, local entertainment, performers acting out winter tales, storytellers weaving yarns, ice-skating on a large rink behind the village, overnight accommodations for a hardy few, dog sledding rides and lessons, a variety of activities including an ice sculpture contest (the ice sculptures and the ice village remain there for the rest of the winter season), art in the snow, lots of media attention, and on and on. Wherever possible activities are themed on glitter, lights, diamonds, and gold. The finale ends with fireworks, hopefully backed by aurora borealis. Local artists carve sculptures and murals to decorate the winter village, guests at the ice village will be encouraged to participate.

There are visitors, primarily Asians, travelling to Yellowknife to get married in an ice chapel with a Canadian diamond set in the wedding band.

Diamonds are linked with our mining heritage. Replicas have been built, providing a back drop and props for animated interpretative programs (living heritage) recreated from the 1930s and 40s. Other old buildings are plaqued so visitors get more of an experience of what old town was like when Yellowknife was first settled. Old vehicles used to build the north are strategically located as well and plaqued. There are board walks between key attractions. There is a bicycle/walking path which weaves through Old Town on streets which have lighter traffic. The wild character of Old Town is retained.

The downtown area is plaqued with archival photos protected from the conditions, with descriptions to give people a real sense of the history of Yellowknife so even though the buildings are modern they get a feel for how the community started and how it came to be the way it is today, the transition from gold mining to diamonds.

A roadside geology book is available to teach visitors about the local rock.

There are weekly walking tours within the city, featuring mining history and Yellowknife's beginning, then the transition into diamond mining.

Local jewellery is being created by local artists and is in demand by visitors to the NWT.

A diamond display is set up in the Edmonton and Toronto airports, featuring the activities of diamond mining in the NWT.

Mining equipment, including obsolete ore cars, are positioned at strategic locations throughout the City of Yellowknife and used as planters in the summer.

There is an area by Bristol Monument where visitors can view the tonnage of diamonds mined to date. Each month, broken glass is added to the container which represents that month's production.

The Rewards of Developing Diamond Tourism

There Could be Significant Economic Benefits from Diamond Tourism

The potential economic benefits from developing the concepts outlined in this document are significant. Experiences and data from other world jurisdictions offering diamond tourism suggest the NWT can assume an annual increase of 1% in visitation and that approximately 15% of annual NWT visitors will spend an additional average of $500 on diamond-related products or experiences. On this basis, diamond tourism would be expected to generate an additional annual expenditure of $5,377,662, in the first full year of implementation, to contribute $1.142-million to the territorial GDP and create 27 new jobs.

Other benefits of diamond tourism include: additional income for individuals and local businesses; diversification of income; more visibility for the community in other economic activities; better use of municipal/territorial infrastructure and facilities; and realizing wider social and economic change.

Possible costs to the community are the need to invest scarce territorial and municipal funds for marketing and education of the tourism industry and development of infrastructure.

Annual Estimated Economic Impact of Diamond Tourism
Total Visitation – Business and Pleasure – Year Round

	2006	2007	2008	2009	2010	Total
New Visitors	591	597	603	609	615	3,015
Total Visitors	59,705	60,302	60,905	61,514	62,129	304,556
	$	$	$	$	$	$
Total New Expenditures	5,377,662	5,431,652	5,485,968	5,540,828	5,596,236	27,432,346
Contribution to NWT GDP	1,142,753	1,154,226	1,165,768	1,177,426	1,189,200	5,829,373
Federal Taxes						
Personal	184,185	186,034	187,894	189,773	191,671	939,558
Corporate	17,047	17,218	17,391	17,564	17,740	86,961
Total Federal	201,232	203,252	205,285	207,338	209,411	1,026,518
Territorial Taxes						
Personal	69,318	70,014	70,714	71,421	72,135	353,603
Corporate	9,142	9,234	9,326	9,419	9,514	46,635
Total Territorial	78,460	79,248	80,040	80,841	81,649	400,238
Net Indirect Taxes	171,547	173,270	175,002	176,752	178,520	875,092
Total Taxes (excluding Municipal)	451,240	455,770	460,328	464,931	469,580	2,301,848
Total Labour Income	752,873	760,431	768,036	775,716	783,473	3,840,528
No. of jobs (direct, indirect, induced)	27	27	27	28	28	137

Notes:
Based on total NWT Visitation of 59,114.
Assumes 1% annual increase in total visitation.
Assumes 15% of all visitors will spend an additional $500 on diamond-related products or experiences.
GDP is calculated at 21.25% of expenditures.
Taxes are calculated as follows: personal federal - .03425 of expenditure; corporate federal - .00317 of expenditure; personal territorial - .01289 of expenditure; corporate territorial - .0017of expenditure; net indirect taxes - .0319 of expenditure; labour income - .14 of expenditure.
Employment calculated as total labour income divided by $28,000 average per job.

Next Steps

There is a Need for a Champion to Coordinate and Deliver the Diamond Tourism Plan

Without someone to follow through on these recommendations, the narrow window of opportunity for the NWT to capitalize on diamonds will close. Past experience has proven that activities which rely too much on volunteers are difficult to develop in a timely manner and to sustain. A serious economic opportunity needs serious investment of both human and financial resources. It is also imperative that marketing and product development functions work together to build awareness. Finally, all activities need to be evaluated annually using a dedicated system to capture and analyse results.

The first priority is to solidify a process and mechanism for ensuring the plan is implemented, and the second is to hire a part-time coordinator to serve as a central point of contact. RWED and the City of Yellowknife are the drivers behind this plan for Diamond Tourism in the Northwest Territories and as such will need to take a key role in establishing a working group to oversee realisation of the plan. Stakeholders could include RWED, the City of Yellowknife, NWTAT, the diamond mines, the diamond manufacturers, tourism operators, retailers, visitor centres, heritage societies, aboriginal stakeholders, and museums.

It is Important to Communicate the Diamond Tourism Plan

A three-stage public relations campaign is recommended to further NWT diamond tourism development.

The first stage would be to package and promote the concept of diamond tourism among stakeholders and prospective partners to obtain buy-in and participation in diamond tourism development.

The second stage would target the local market with press releases to create a groundswell of support and momentum for the initiative and to foster political support for base funding. Interest and cooperation among the tourism industry players would be key to success.

The third stage would occur once the new image is established and some product has been developed. Attention would switch to external markets using a combination of media releases and familiarization trips for highly qualified writers with solid potential for major article placement. This campaign would be conducted in conjunction with the activities of all NWT tourism segments.

A well-defined public relations campaign could generate considerable coverage for the area with a smaller budget than advertising, but would require considerable staff time to maintain momentum.

Appendix A -- List of People Interviewed

The following people from other jurisdictions were interviewed:

1) Johann van Schalkwyk, Consultant, Kimberley, South Africa
2) Tom Tweedy – Public & Corporate Affairs, De Beers Corporate Headquarters, South Africa
3) Robin Walker – Former employee in Public Affairs with De Beers
4) Naomi Lyons – Rio Tinto Argyle Mine – Australia
5) Bianca Long – Rio Tinto Argyle Mine – Australia
6) Teresa Rodney – Rio Tinto Argyle Mine – Australia
7) David Epworth – Rio Tinto Argyle Mine – Australia
8) Frauche – Kimberley Fine Jewellers – Kununurra, Australia
9) Sven Mazet – Antwerp Diamond Museum
10) Eden Hotel Staff – Antwerp
11) Antwerp Tourist Board
12) Mia De Dooy – Diamond High Council – Antwerp
13) Mrs. Van Der Horne – Gassan Diamonds – Amsterdam
14) Caren Pardovitch – Gassan Diamonds – Amsterdam
15) Alexandre Dasselaar– Van Moppes – Amsterdam
16) Two sales agents – Van Moppes - Amsterdam
17) Joe Fridge – Amsterdam Sauer – Rio de Janeiro, Brazil
18) Stephan Olletti – International Coloured Gemstone Association, New York
19) Elizabeth Baines – Sling Air – Australia
20) Liz Kirkby – Kimberley Development Corporation – Australia
21) Efraim Raviv – Israel Diamond Institute
22) Charlie Chatelaine – Manager, Corporate Security, Canadian Mint
23) Tom Stoalarz, Senior Park Ranger – Diamond Crater Park, Arkansas
24) Melissa Kain – Canadian Consulate New York
25) Representative – 47th Street Business Improvement Org.
26) 15 interviews in Kimberley, South Africa, conducted by Johann van Schalkwyk
27) Peter Joerdans – Rosyblue, Antwerp
28) Ronnie Vanderlinden – E. Schreiber, New York

The following NWT stakeholders were interviewed:

29) Luc De Smet – Laurelton Diamonds Inc., Yellowknife
30) Patrick Kelleher – Kelver Diamond Supplies and Consulting, Yellowknife
31) Gayla Meredith – Author of Canada's Northern Diamonds… from rocks to riches
32) Stephen Ben-Oliel – President, Sirius Diamonds NWT Ltd.
33) Hillary Jones and Chahe Arslanian – Arslanian Cutting Works
34) Jim Peterson – Peterson's Point Lake Lodge/ President of NWT Arctic Tourism
35) Joyce Humphries – Eldonn Jewellers
36) Francois T-Bo – Originals by T-Bo
37) Celina Stroeder – Former Regional Superintendent RWED, Norman Wells
38) Ken Higham – Director of Operations, Integra International Inc., Calgary
39) Mike Botha – Introduction to Diamonds Instructor, Diamond Cutting and Polishing, Aurora College, Yellowknife
40) Gary Jaeb – President, Mackay Lake Lodge
41) Barb Dillon – Manager Tourism Planning and Marketing, RWED
42) Gerry LePrieur – Director Parks and Tourism, RWED
43) Lisa Seagraves – Owner/Manager, Gallery of the Midnight Sun, Yellowknife
44) Eileen Phillips– Gemologist, Gallery of the Midnight Sun, Yellowknife
45) Boyd Warner – President, Treeline Lodge, Bathurst Arctic Services, Yellowknife

46) David Grindlay – Executive Director, NWT Arctic Tourism
47) Denie Olmsted – Manager, Northern Frontier Visitors Association, Yellowknife
48) Peter Neugebauer – Director of Economic Development, City of Yellowknife
49) Leah Russell – City of Yellowknife
50) Harry Symington – Manager, Explorer Hotel, Yellowknife
51) Guy W. Hodgins – Division Manager, Canadian Arctic Producers, Northern Images Yellowknife and Inuvik
52) Judi Falsnes – Owner, Arctic Chalets, Inuvik
53) Linda Terfont – Manager, Creations, Norman Wells
54) Verna Wosnika – Owner, Cabin Fever, Hay River
55) Evelyn Tregidgo – Manager, tourism booth in Hay River
56) Winter Lennie – Director, Metis Development Corporation/former outfitter, Norman Wells
57) Tony Foliot – Snow King, Yellowknife
58) Lorne Gushue – Owner, Tartan/Ptarmigan Bed and Breakfast, Yellowknife
59) Larry Ring – Owner, Rings Drugs, Hay River
60) Todd Engele – Owner, Wally's Drugs, Fort Smith
61) Barbara McLean – Manager, Originals on the Mackenzie, Inuvik
62) Bill Tait – former Manager, Aurora World
63) Richard G. Molyneux – President and CEO, De Beers Canada Corporation
64) John McConnell – Vice President, NWT Projects, De Beers Canada Mining Inc.
65) Serge Pelletier – Sales Manager Marketing, BHP Billiton Diamonds Inc.
66) Tom Hoefer – Manager, External and Internal Affairs, Diavik Diamond Mines Inc.
67) Marg Baile – Owner, Jamorah Diamonds, Yellowknife
68) Eileen Dent – Owner, Sasha's Jewellers
69) Lone Sorensen and James Pugsley – Diamond Divas
70) Judith Venaas – Tourism Development Officer, RWED, Inuvik
71) Tako Gomi – Assistant Manager, Chateau Nova, Yellowknife
72) Trevor Maywood – Manager and Head Professional, Yellowknife Golf Course
73) Carlos Gonzalez – Owner, Gallery of the Midnight Sun, Yellowknife
74) Arctic Sunwest Charters
75) Walt Humphries – President, NWT Mining Heritage Society
76) Kelly Kaylo – Director of Marketing and Sales, Canadian North
77) Julia Mott – Manager, Government Affairs, First Air
78) Matt Mossman – Manager Corporate and Cargo Sales, First Air
79) Chuck Arnold – Director, Prince of Wales Northern Heritage Centre, Yellowknife
80) Connie and Ian Henderson – Owners, Arden Bed &Breakfast, Yellowknife
81) Martin Irving – Director, Diamond Projects, RWED
82) Carl Malmsten – Manager, Diamond Industry Development

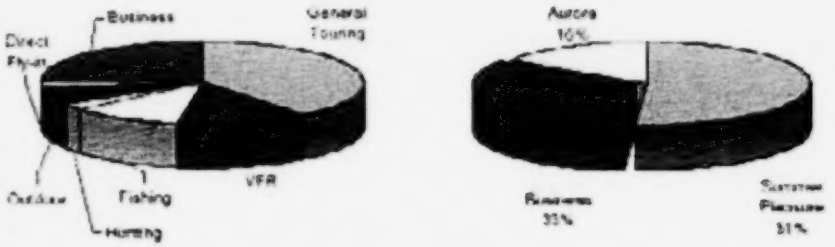
Appendix B – NWT Visitor Profile

Sources for the following information are RWED and the 2002 Visitor Exit Survey.

NWT Visitors, 2002-03
Source: Resources, Wildlife & Economic Development
Note: All NWT includes Deh Cho visitors

Summer Visitors:	#	% of Total
General Touring	15,205	27%
VFR	5,296	9%
Fishing	4,268	7%
Hunting	922	2%
Outdoor Adventure	2,683	5%
Direct Flyin	1,000	2%
Summer Pleasure	29,284	51%
Business	9,507	17%
Total Summer	**38,791**	**68%**

Winter Visitors:	#	% of Total
Business	9,507	17%
Aurora Tours	9,000	16%
Total Winter	**18,507**	**32%**
Total Visitors	**57,298**	



The following are key statistics from the 2002 Visitor Exit Survey:

Spending While in the NWT

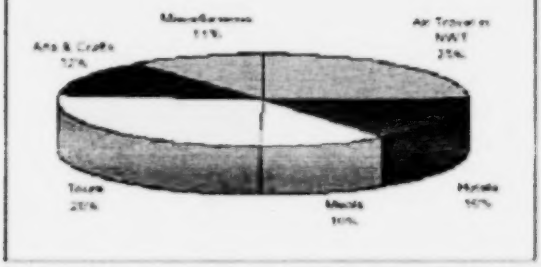
Average Spending per Party, Summer 2002

	Road	Air	Canada	USA	Other	Total
Spending for entire trip	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spending in the NWT	1,414	1,993	1,666	1,928	2,592	1,825
Spending on Hotels	136	403	147	234	524	243
Spending on Entertainment *						182
Spending on Arts & Crafts *						81
Spending on Souvenirs *						243
Spending on Tours *						

* *There was no significant difference in spending on these items by mode of travel or country of origin*

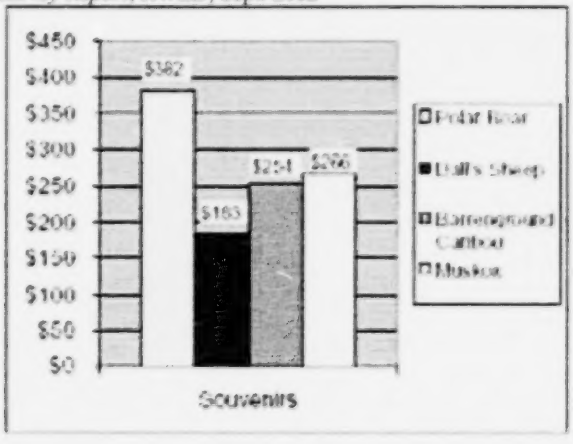
These spending trends are general figures covering all travellers for all purposes. However, there are some figures for specific segments of the market that have been identified, at least at this preliminary stage, as having potential for diamond tourism. The first is the aurora market.

Estimated Aurora Visitor Expenditures, 2002-03		
Expenditure	Per Person	Total
Air Travel in NWT	423	[illegible]
Hotels	266	[illegible]
Meals	169	[illegible]
Tours	453	[illegible]
Arts & Crafts	212	[illegible]
Miscellaneous	185	[illegible]
Total	1,708	15,372,000



The second key market segment is hunters. The following figures were taken from two RWED studies (Fall 2002 and Fall 2003). The 2002 study indicated that hunters would appreciate more selection in souvenirs/arts & crafts for purchase while in the NWT.

Souvenir Spending
Source: *2001 Hunter Survey Report*, RWED, Sept. 2002



Hunter Spending By Region and Category of Spending
Source: 2002 *Visitor Exit Survey: Report on Hunters*, RWED, 2003

CATEGORY	REGION	NUMBER of RESPONSES	MEAN
Getting to NWT	Sahtu	92	$2,014
	North Slave	206	$1,459
Accommodations	Sahtu	62	$392
	North Slave	196	$313
Entertainment	All Regions	73	$125
Arts and Crafts	All Regions	66	$271
Souvenirs	All Regions	109	$166
Groceries	All Regions	74	$129
Restaurants	All Regions	215	$158
Guide Tips	Sahtu	Not asked	
	North Slave	125	$521
Total Package	Sahtu	57	$14,175
	North Slave	178	$8,002
Total Spending in the NWT	All Regions	299	$1,112

Demographics

Key target groups for diamond tourism are consumers in the 25-55 age range (roughly 43% of NWT summer visitors fall into this range) other jurisdictions have indicated that the 40-60 group is key (31% of NWT visitation).